1998-018-2

International Trademark Association
1133 Avenue of the Americas, New York, NY 10036-6710 USA
Telephone: 212-768-9887 Fax: 212-768-7796 Website: www.inta.org

October 8, 2001

General Service Administration
FAR Secretariat (MVP)
1800 F Street, NW, Room 4035
Washington, DC 20405

Attention: Ms. Laurie Duarte

Dear Ms. Duarte:

Re: Federal Acquisition Regulation; Trademarks for Government Products
FAR case 1998-018

The International Trademark Association (INTA) takes this opportunity to respond to the request for public comment on the proposed amendments to the Federal Acquisition Regulation concerning the ownership and use of names, symbols and logos that distinguish government products, services, systems and programs, as published in the August 9, 2001 *Federal Register*. INTA, a 123-year-old not-for-profit organization with over 4,000 members, is the largest organization in the world dedicated solely to the interests of trademark owners. INTA's comments address our belief that the language of the proposed rule is too broad, confusing, and may therefore lead to a number of unintended detrimental consequences for trademark owners, trademark law and our competitive economy. We suggest that the rule be re-drafted to address these concerns.

Intent of the Rule

The "Background" section of the request for public comment states: "The rule provides policy guidance and a contract clause that establishes the process for a contractor seeking to assert rights in Government-Unique Marks," (emphasis added). As we understand it, however, this proposed rule, in fact, sets forth what rights the government may assert and does little to serve as a policy or as direct guidance for contractors. Additionally, we cannot ascertain whether the contract clause in proposed §52.227-XX will be a mandatory clause in all government contracts or whether it will be optional, something to be negotiated by the parties. Furthermore, it is unclear whether some event or occurrence will trigger the use of this clause or if the government expects to insert this clause across the board in all government contracts.

10/9/01

Definition of a "Government-Unique Mark"

The definition of a government-unique mark (proposed §27.X01) broadly extends to any trademark for "goods first developed or manufactured in performance of a Government contract" or "services first rendered in performance of a Government contract," and can lead to unintended consequences. Indeed, many INTA members are in situations where they, as contractors with the government, use their existing trademarks to identify the specific goods they develop in the performance of a government contract. Under the proposed rule, the government would consider these existing trademarks as government-unique marks subject to acquisition.

As a fictional example, consider Contractor A, a computer company, having a contract with the government to build a portable rugged computer that meets certain government specifications relating to the durability of the portable rugged computer. During the course of development, but unrelated to those specific development efforts, Contractor A designs software that improves the portable rugged computer's battery life and the software is included in the final portable rugged computer. Both the computer and the software are branded with Contractor A's pre-existing trademark and as such, that pre-existing trademark is covered by the government-unique mark definition and liable to be taken by the government. Taking this example one step further, if Contractor A, after the completion of the contract, developed a consumer version of the portable rugged computer and branded it with a new trademark, the new trademark would similarly be covered by the government-unique mark definition.

While INTA does not believe this is the intended result of the proposed rule, the rule as drafted could readily jeopardize a contractor's trademark rights. Before the proposed rule is adopted, the definition of a government-unique mark should be modified to specifically exclude any trademark a contractor was using or claiming rights in prior to entering into the contract or any trademark developed by a contractor after the conclusion of the contract. For purposes of further considering INTA's comments we respectfully submit the following as a definition of a government-unique mark:

> *Any inherently distinctive trademark developed by the parties, and made known to the parties during the term and in performance of a government contract, specifically and only for use in connection with the particular product or service for which the contractor has been engaged and develops during the term and in performance of the government contract. This clause shall not apply to, and shall have no effect on, any trademarks, whether or not made distinctive as of the date of this government contract, owned or used by either of the parties prior to the effective date of this government contract.*

Ownership of Marks

Section 27.X03 of the proposed rule states: "When the Government decides not to register or assert rights in a Government-unique mark, the contractor may register or assert rights in the mark." This statement oversimplifies the critical ownership issue affecting trademarks and raises some core issues as to who is the proper owner for trademark application and registration purposes. Ownership issues may not be so easy to determine as suggested in the proposed rule. If the government is deemed to be the owner and permits the contractor to seek registration, it would appear that some type of assignment to the contractor would be required to effectuate appropriate title if the contractor did not possess those rights from the beginning.

Applications to register a mark must be made by the owner of the mark. 15 U.S.C. §1051. *See* Trademark Manual of Examining Procedure ("TMEP") §§ 802.01 and 1201. If a party were not the owner of the mark at the time the application is filed, the application would be void. An assignment could not correct this because the original applicant did not have a right that could be assigned. *See* In re Lettmann, 183 USPQ 369 (TTAB 1974); TMEP §802.06. Thus, before the proposed rule is adopted, Section 27.X03 should be modified to specify that the contractor is the presumed owner of a government-unique mark with the recognition that the contractor's ownership might be subject to a required assignment of the government-unique mark to the government.

Impediments to Fair Competition

While the government must be allowed to reap the full benefits of its contracts with private parties, the proposed rule, as presently drafted, goes beyond the rules of fair competition. This is exemplified in Section 27.X04 of the proposed rule, which provides the government with 120 days to claim trademark rights. Of even more concern is that, even at the expiration of the 120-day period, the government may still object to the contractor's assertion of rights in or to the subject trademark. In the United States, the trademark law is clear. If a party uses the trademark, it is either the trademark owner or licensed by the owner to use the property. There is no rationale for providing the government with up to four months to decide whether or not it will fulfill the role of a trademark owner. Prior to the completion of contract negotiation, consensus should be reached asserting the rightful trademark owner; whether it is the government or the contractor.

Finally, the 120-day period only binds the contractor; it has no effect upon third parties. Accordingly, although a contract has been signed prohibiting the contractor from asserting rights in or to the subject trademark in connection with a product it has exclusively developed for up to 120 days, there is nothing to prevent a third party from asserting such rights. In such a case, the contractor is not indemnified, protected or defended; his rights are, in fact, not enforced or supported by the very government whose inaction has caused the contractor's rights to be

challenged in the first place. Contrarily, if the government were called upon to act as any other purported trademark owner, it would be obligated to use its trademark or lose its ownership rights. Any rights the contractor may have, or may claim to have, in or to the subject trademark are necessarily compromised by allowing the government up to four months, and beyond, to assert such rights. This is an unfair balance of power that necessarily injures the contractor beyond the scope of that which should be allowed.

Conclusion

In conclusion, INTA believes that as presently drafted, the proposed amendments to the Federal Acquisition Regulation are too broad, confusing, and may therefore lead to a number of unintended detrimental consequences for trademark law and our competitive economy. The proposed rule should be redrafted so as to define a government-unique mark with greater specificity; allow contractors to maintain preexisting and future trademark rights; and to eliminate the 120-day period for the government to claim rights in a government-unique mark.

Thank you for the opportunity to reply to the RFC on amending the Federal Acquisition Regulation. Should the office have any questions or comments concerning INTA's response, please contact Jon Kent, the INTA Washington Representative, at (202) 223-6222.

Sincerely,

Nils Victor Montan
President